

This Prospectus is not, and under no circumstances is to be construed as, a public offering of any of these securities for sale in the United States of America or in the territories or possessions thereof. 1972

NEW ISSUE



BENSON INDUSTRIES LIMITED

(Incorporated under the laws of British Columbia)

200,000 Common Shares

(Without Nominal or Par Value)
With Share Purchase Warrants

All 200,000 Common Shares are being sold by the Company. The Company will receive all the net proceeds from the sale of such shares.

	Price to Public	Underwriting Discounts or Commissions	Proceeds to Company (1)
Per Share	\$2.50	\$.30	\$2.20
Total	\$500,000.00	\$60,000.00	\$440,000.00

- (1) Before deduction of the Company's share of expenses of the offering estimated at \$15,000.00. An additional \$3,000.00 will accrue to the treasury of the Company resulting from the sale of 30,000 bearer Share Purchase Warrants at 10¢ each, such sum being payable to the Company within ten days of acceptance for filing of this Prospectus. Reference is made to the heading "OPTION TO PURCHASE SECURITIES".

PRICE: \$2.50 per share

Common Share Purchase Warrants

The 200,000 Common Shares offered by this Prospectus, when originally issued in definitive form, will be accompanied by 100,000 bearer Share Purchase Warrants at the rate of 1 Share Purchase Warrant for each 2 Common Shares entitling the holders thereof to purchase Common Shares in the capital of the Company, as presently constituted, at the price of \$3.50 per Common Share at any time up to 5:00 o'clock in the afternoon (Vancouver time) on September 3rd, 1975. Such Share Purchase Warrants will expire at 5:00 o'clock in the afternoon (Vancouver time) on September 3rd, 1975. One Share Purchase Warrant is required to purchase each Common Share at \$3.50.

As no shares of the Company have, as of the date of this Prospectus, been sold to the public, there is no market at the present time for the shares or the share purchase warrants offered by this Prospectus. The price of the shares offered hereunder was determined by negotiation between the Company and representatives of brokerage firms.

Before completion of this financing, the net tangible book value of the outstanding Common Shares of the Company was nil. Upon completion of the financing, the Common Shares will have a net tangible book value of \$.60 per share as compared to an issue price of \$2.50 per share. The net tangible book value is calculated at cost, without giving value to the "going concern" aspect of the Company. Purchasers are experiencing an immediate dilution in the book value of their shares.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive certificates representing the Common Shares and the bearer Share Purchase Warrants will be available for delivery on or about December 15th, 1972.

The 200,000 Common Shares and 100,000 bearer Share Purchase Warrants are offered subject to prior sale and change in price and subject to the approval of all legal matters on behalf of the Company by Messrs. MacLeod & Small, Vancouver.

TRANSFER AGENT AND REGISTRAR

Crown Trust Company — Vancouver

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

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THE COMPANY

Benson Industries Ltd. (hereinafter called "the Company") was incorporated as a private company by Memorandum of Association as "Benson-Medtro Imports Ltd." on April 17th, 1967 under the Companies Act of the Province of British Columbia. On May 2nd, 1969, the Company changed its name to "Benson Industries Ltd.". On August 12th, 1969, the number of Common shares without nominal or par value which the Company was authorized to issue was increased from 10,000 to 2,000,000 with a maximum selling price of \$1.00 each. On September 21st, 1971, the maximum selling price was increased to \$3.00 each and on November 22nd, 1972, by Resolution of the Board of Directors, the maximum selling price was increased to \$3.50 each. The Company was converted from a private to a public company on November 14th, 1972, as evidenced by the Certificate of the Registrar of Companies of the Province of British Columbia.

The Company's Executive and Sales Office is located at 1515 Pemberton Avenue, North Vancouver, British Columbia, and the Company's Registered Office is located at 4014 Cambie Street, Vancouver, British Columbia.

MANAGEMENT

Russell Richard Benson, the President of the Company, has been a resident of Vancouver, British Columbia, for more than thirty-five years. He attended at the University of British Columbia and studied Engineering and Architecture. He was the founder and President of R.A. Benson Co. Ltd., a manufacturer of hospital equipment, and has held senior executive positions with other manufacturing concerns. In addition, he was the inventor of a machine designated as the RABCO Shredder-Compactor which is described under the heading "BUSINESS".

Roger John Latta, the Vice-President of the Company, has resided in Vancouver, British Columbia, for a period of thirty-five years. He is a Sales Representative for Imperial Life Assurance Company, Vancouver, British Columbia, and has been engaged as such for the past eleven years.

John Edward Duffield, the Secretary of the Company, has resided in Vancouver, British Columbia, for twenty-eight years. He is presently the Secretary-Treasurer of Leith & Dyke Ltd., Customs Brokers, and has been with that company for the past eighteen years.

In addition, the Company employs three graduate mechanical and electrical engineers who are involved in research and development programmes as well as management.

BUSINESS

Since 1969, the Company has been involved in the design, development, patenting, manufacture and marketing of a solid waste disposal system, with particular emphasis on the development of a machine with capabilities of shredding, crushing and flattening all types of glass, metal or plastic containers, garbage, and paper and plastic waste. The machine reduces volume of the disposed material by 80% without creating pollution of any kind. It operates at a low noise level and has built into it an automatic disinfectant deodorizing system. The operation of the machine is controlled by a highly sophisticated electronic circuitry employing the latest printed circuit and solid state technology.

The machine has been designated by the Company as the RABCO Shredder-Compactor (hereinafter called "the RABCO Machine"). The RABCO Machine measures 36" x 50" x 24" deep, is powered by a three horse-power motor and has the capability of processing 1,200 lbs. of normal garbage and waste material per hour. No segregation of the waste material is necessary.

The Company has acquired from R.A. Benson Co. Ltd., at no cost, the right to use the name "RABCO" as its trade mark for the RABCO Machine. The trade mark "RABCO" is presently registered in Canada and the United States.

The RABCO Machine was developed with the assistance of a Federal Department of Industry, Trade and Commerce loan under the Programme for Advancement of Industrial Technology (PAIT) and a grant made under the Industrial Research and Development Incentives Act (IRDIA) programme. The Agreement with the Department of Industry, Trade and Commerce granting the loan is dated July 7th, 1969 and the Repayment Agreement with respect to this loan is dated March 8th, 1971. Reference is made to the heading "SHARE AND LOAN CAPITAL STRUCTURE".

In 1969, the Company purchased from Russell Richard Benson, for the sum of \$10,000.00 cash, all patent rights to the RABCO Machine. The purchase was completed on October 19th, 1971, the date on which a formal Assignment of patent rights to the RABCO Machine was executed.

There is an international market for the RABCO Machine. Patent applications have been made by the Company in the following countries: Canada, United States, Britain, Sweden, Japan, Australia, France, West Germany and Italy.

The Company has manufactured and sold 75 RABCO Machines which are being used by hotels, hospitals, apartment blocks, food outlets, schools, ferries, and bottle and can crushing plants, located variously in British Columbia, Alberta, Manitoba, Ontario and Quebec, and in the United States, England, Sweden and Australia.

At the present time, the Company sub-contracts to local manufacturing concerns the manufacture of the component parts of the RABCO Machine.

In addition to the manufacture and sale of the RABCO Machine, the Company intends to develop a mobile shredder-compactor unit, utilizing the same engineering principals as are applicable to the RABCO Machine, for use in the field of residential garbage disposal. The function of this unit is to process the waste of suburban dwellings and smaller commercial enterprises as part of a rationalized system of collection, resulting in the achievement of savings of haulage costs by reason of creating higher density waste as close to the source as possible. The shredded and compacted waste material from this unit would be loaded into large haulage trucks for transportation to the disposal site. See heading "USE OF PROCEEDS". Concurrently with this development, the necessary patent protection will be sought.

The Company leases its business premises which are located at 1515 Pemberton Avenue, North Vancouver, British Columbia, and its research and development premises which are located at 1205 West 14th Street, North Vancouver, British Columbia.

The success of the Company is dependent upon its ability to market its RABCO Machines locally and internationally, either by way of direct sales or through licensing agreements with other manufacturing companies.

On January 27th, 1972, the Company entered into a Licensing Agreement with Ingram & Bell Limited, which is a wholly owned Canadian subsidiary of American Sterilizer Co. of Erie, Pa., United States of America. On execution of the said Licensing Agreement, Ingram & Bell Limited paid to the Company the sum of \$50,000.00 cash. The said Licensing Agreement granted Ingram & Bell Limited the exclusive right to manufacture and sell the stationary RABCO Machine in the Canadian and United States health markets, that is for use by hospitals, health clinics, nursing homes, medical and dental schools, clinical laboratories, veterinary hospitals and laboratories. The term of the licence is for a period of ten years. The Company will receive royalties of \$125.00 for each RABCO Machine sold, manufactured or shipped, such royalties payable quarterly. During the first three years of the term of the Agreement, the Licensee is obligated to pay to the Company a supplementary royalty of \$125.00 for each RABCO Machine and, for the next two years, a supplementary royalty of \$50.00 for each RABCO Machine. Under the Agreement, the Licensee has the right to appoint its parent company as agent to market the product in the United States and its possessions in the health markets described aforesaid.

On July 26th, 1972, the Company signed a letter of intent with Lamson Engineering Australia Pty. Limited of Bankstown, New South Wales, granting exclusive manufacturing and selling rights to the RABCO Machine for Australia, New Zealand and dependant Territories' area, and non-exclusive manufacturing and selling rights for Singapore, Malaysia, Indonesia, Hong Kong and other general South-East Asian countries as may be agreed. A formal Agreement is expected to be executed shortly. The proposed term of the Agreement is for a period of ten years and covers all future developments of the RABCO Machine. On signing the Agreement, the Company is to receive \$3,000.00 Australian. In each of the following two years, the Company is to receive \$1,500.00 Australian. In addition, the Company is to receive a royalty, in Australian funds, of 6%, calculated on the gross selling price of each RABCO Machine, including direct accessories but excluding the electronic control panel which the Company will sell to Lamson Engineering Australia Pty. Limited for \$450.00 Canadian each, f.o.b. Vancouver, British Columbia. All royalty payments due to the Company are payable quarterly. The Agreement may be terminated by either party after the expiration of five years, provided that twelve months' notice in writing is given.

On October 31st, 1972, the Company entered into a ten year Distribution Agreement with Avila Trading Company C.A. of Caracas, Venezuela, granting exclusive marketing rights to the stationary RABCO Machine for Venezuela, Dutch Antilles, Trinidad and Tobago, and non-exclusive marketing rights for Columbia, Dominican Republic, Puerto Rico, Jamaica, and the Leeward and Windward Islands. The Agreement may be terminated by

either party after the expiration of five years, provided that twelve months' notice in writing is given. The distributor has purchased one RABCO Machine. Prices and terms for large orders are to be negotiated from time to time. All payments are to be made by approved certified letters of credit.

The Company is presently working on research and development of additional equipment in the solid waste disposal field. Funds for this research and development are being provided out of existing working capital. As funds become available from the operation of the Company, the Company intends to develop a sales and engineering team capable of marketing and installing its products internationally.

DESCRIPTION OF SHARES

The Company is authorized to issue 2,000,000 Common shares without nominal or par value. Each holder of Common shares is entitled to one vote for each share held and to participate, pro rata, in any distribution to shareholders upon liquidation of the Company. Shareholders are entitled to such dividends as may from time to time be declared by the Board of Directors of the Company out of funds legally available therefor. There are no pre-emptive or conversion rights attaching to the Common shares. All the issued and outstanding shares of the Company, including those offered hereby, are fully paid and not subject to further call or assessment by the Company.

SHARE AND LOAN CAPITAL STRUCTURE

Designation	Authorized	Amount Outstanding as at July 31st, 1972	Amount Outstanding as at October 31st, 1972	Amount to be Outstanding if all Securities being issued are sold
Common Shares	2,000,000	523,101	523,101	723,101
Loan Agreement (1)		\$30,615.00	\$31,000.00	Nil
Share Purchase Warrants (2)	130,000			130,000

- (1) The Company is indebted to the Department of Industry, Trade and Commerce, Ottawa, for a loan in the principal amount of \$28,600.00, carrying interest at 5% per annum, compounded annually as of March 31st, 1971. The accrued interest to July 31st, 1972 on the loan amounted to \$2,015.00 and the accrued interest to October 31st, 1972 amounted to \$385.00. Under the terms of the Repayment Agreement, there is presently due and payable to the Department of Industry, Trade and Commerce the sum of \$15,056.63. This amount is calculated on the basis of 5% of the selling price of the RABCO Machines. Notwithstanding the Repayment Agreement, the Company intends, out of the proceeds of this offering, to repay the total amount of \$31,000.00, calculated as of October 31st, 1972, plus any additional accrued interest to date of payment, in order that it may be free to enter into licensing and manufacturing agreements out of Canada without reference to the Department of Industry, Trade and Commerce for consent to such agreements.
- (2) Share Purchase Warrants entitle the holder to subscribe for one Common share without par value at a price of \$3.50 for each such Warrant held.

DIVIDEND RECORD

Since incorporation, the Company has not paid any dividends on any of its shares.

At the present time, the Company has no plans to pay dividends but the future dividend policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors.

PROMOTERS

Under the definition of "Promoter" contained in Section 2 of the British Columbia Securities Act, 1967, Russell Richard Benson may be considered the Promoter of the Company but he has not received any consideration in the form of shares, cash or otherwise from the Company for so acting. During the five year

period immediately preceding the date of this Prospectus, he has received from the Company salaries and other benefits totalling \$34,110.00. Reference is made to the heading "BUSINESS" relative to the sale by Russell Richard Benson of certain patents to the Company.

PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, Russell Richard Benson is the only person beneficially owning, directly or indirectly, more than 10% of the issued Common shares of the Company. His shareholdings are as follows:

Name and Address	Type of Ownership	Number of Shares	Percentage of Class
Russell Richard Benson, 378 St. James Crescent, West Vancouver, B.C.	Direct and Beneficial	201,502	38.52

As of the date of this Prospectus, the Directors and Senior Officers of the Company as a group beneficially own, directly or indirectly, the following percentage of the issued Common shares of the Company:

Designation of Class	Number of Shares	Percentage of Class
Common Shares	238,003	45.50

DIRECTORS AND OFFICERS

The names and home addresses, the positions held in the Company and principal occupations within the past five years of the Directors and Officers of the Company are listed below.

Name	Position with the Company	Principal Occupation
Russell Richard Benson, 378 St. James Crescent, West Vancouver, B.C.	President and Director	President of Benson Industries Ltd. since 1970 and, prior thereto, President of R.A. Benson Co. Ltd.
Roger John Latta, 4721 Rutland Road, West Vancouver, B.C.	Vice-President and Director	Sales Representative for Imperial Life Assurance Company.
John Edward Duffield, 4559 Woodgreen Drive, West Vancouver, B.C.	Secretary and Director	Secretary-Treasurer of Leith & Dyke Ltd.
Robert Bligh Leeson, 1230 Renton Road, West Vancouver, B.C.	Director	President of Westland Metals Ltd.
Lewis Allen Lewis, 3048 Spencer Court, West Vancouver, B.C.	Director	President of Murray-Latta Machine Co. Ltd.
John Arthur McLoughlin, 4183 Cypress Street, Vancouver, B.C.	Director	Manager of Dorcal Investments Ltd.
James Stewart McRae, 7409 Angus Drive, Vancouver, B.C.	Director	Western Manager of H.J. Terry Lumber Ltd.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The following table sets forth the aggregate direct remuneration paid or payable by the Company to the Directors and the Senior Officers of the Company for the twelve month period ending July 31st, 1972 and for the subsequent three month period ending October 31st, 1972.

Reporting Period	Aggregate Direct Remuneration	Pension Plan Benefits	Other Remuneration
August 1st, 1971 to July 31st, 1972	\$15,000.00	Nil	Nil
August 1st, 1972 to October 31st, 1972	\$3,750.00	Nil	Nil

The Directors, Senior Officers and certain past Directors of the Company have been granted options, exercisable on or before January 4th, 1975, to purchase a total of 30,000 Common shares of the Company at \$2.20 each.

OPTION TO PURCHASE SECURITIES

On January 4th, 1971, share options covering a total of 30,000 Common shares of the Company were granted to two employees. One employee was given the option to purchase a total of 15,000 Common shares of the Company at 50¢ each, exercisable as follows:

On or before January 4th, 1972	—	7,000 Common shares
On or before January 4th, 1973	—	3,000 Common shares
On or before January 4th, 1974	—	3,000 Common shares
On or before January 4th, 1975	—	2,000 Common shares

The other employee was given the option to purchase a total of 15,000 Common shares of the Company at \$1.00 each, exercisable as follows:

On or before January 4th, 1972	—	6,000 Common shares
On or before January 4th, 1973	—	3,000 Common shares
On or before January 4th, 1974	—	3,000 Common shares
On or before January 4th, 1975	—	3,000 Common shares

In both instances, there are no rights of accumulation to purchase option shares and should the employee not exercise his option for any year to purchase the number of shares specified, then at the expiration of each year the said right is lost forever. The said share options would terminate in the event that the employee resigned or was discharged by the Company for cause. None of the said share options have been exercised to date and, in accordance with the terms thereof, there remains available for purchase a total of 17,000 Common shares.

On August 30th, 1972, certain share options, exercisable on or before January 4th, 1975 and covering a total of 15,000 Common shares of the Company at \$1.50 each, were granted to other key employees, provided however that the said employees are still in the employment of the Company at the time any such options are exercised.

The Company has agreed to sell to Professional Marketing Services Ltd. of Vancouver, British Columbia, 30,000 Share Purchase Warrants at 10¢ each for its assistance and advice in corporate and financial matters. The purchase price thereof of \$3,000.00 is payable to the Company within ten days of acceptance for filing of this Prospectus by the British Columbia Securities Commission. Each such Share Purchase Warrant entitles the holder thereof to purchase one Common share of the Company, as presently constituted, at \$3.50 each at any time up to 5:00 o'clock in the afternoon (Vancouver time) on September 3rd, 1975. Such Share Purchase Warrants will expire at 5:00 o'clock in the afternoon (Vancouver time) on September 3rd, 1975.

PRIOR SALES

Within the twelve month period preceding the date of this Prospectus, 11,547 Common shares of the Company were sold at 50¢ each to a former employee of the Company, in accordance with prior agreements.

POOLED SHARES

Pursuant to certain Pooling Agreements dated as of October 23rd, 1972, shareholders of the Company deposited share certificates representing 518,601 Common shares with the Crown Trust Company, to be held by the said Trust Company and released, with the consent of the British Columbia Securities Commission, as follows:

18,551 shares sold at \$2.00	—	30 days after completion of primary distribution.
63,002 shares sold at \$1.00	—	90 days after completion of primary distribution.
136,048 shares sold at 50¢	—	160 days after completion of primary distribution.
301,000 shares sold at 10¢	—	30% — 180 days 40% — 360 days 30% — 540 days after completion of primary distribution.

PLAN OF DISTRIBUTION

The Company intends to distribute the 200,000 Common shares offered by this Prospectus at the price of \$2.50 each, subject to the payment, at the discretion of the Board of Directors of the Company, of a commission in respect of some or all of the shares not exceeding 30¢ per share. Primary distribution to the public will be made by the Company and its Board of Directors under a Security-issuer's Licence and through registered brokers and broker-dealers on a best efforts basis. No commissions will be paid to any Directors from any sales made by them of the shares offered hereby.

The said 200,000 Common shares will be offered to the public in the Province of British Columbia by and through the aforesaid persons and such shares, when originally issued in definitive form, will be accompanied by 100,000 Share Purchase Warrants at the rate of one such Warrant for each two Common shares, entitling the holders thereof to purchase Common shares in the capital of the Company, as presently constituted, at the price of \$3.50 each at any time up to 5:00 o'clock in the afternoon (Vancouver time) on September 3rd, 1975. Such Share Purchase Warrants will expire at 5:00 o'clock in the afternoon (Vancouver time) on September 3rd, 1975. One Share Purchase Warrant is required to purchase each Common share at \$3.50.

USE OF PROCEEDS

The net proceeds to be derived by the Company from the sale of the shares offered hereunder and the 30,000 bearer Share Purchase Warrants referred to herein will be \$443,000.00, less legal, audit and printing expenses estimated not to exceed \$15,000.00. Such proceeds will be used for the following purposes:

Repay Department of Industry, Trade and Commerce loan (PAIT), inclusive of interest	\$ 31,000.00
Repay R.A. Benson Co. Ltd. loan	13,000.00
Repay Shareholders' loans — Russell R. Benson and Elizabeth M. Benson	5,500.00
Production and distribution of product information	25,000.00
International sales promotion and travel expenses to develop markets under negotiation	45,000.00
Continuance of international patent applications	25,000.00
Research and development of mobile RABCO Shredder-Compactor for suburban and residential use:	
In depth feasibility study. Assimilation of engineering data, preliminary design of system and equipment completed (2 months).	\$ 10,000.00
Construction of shop prototype as per preliminary design in order to assess new design concepts and principles and to develop new techniques. Prototype will be constructed on a dummy chassis without transmission (2 months).	20,000.00
Revised design, consolidation of improvements to equipment and overall system (1 month).	8,000.00
Construction of field prototype fully operational and road equipped. Procurement of hauling vehicle complete with lifting mechanism (2.5 months).	50,000.00
Extensive field testing to finalize feasibility, economics and workability of equipment and system (3 months).	35,000.00
Final design — complete set of drawings, cost studies procedures and policies finalized (1.5 months).	10,000.00
Contingency	12,000.00
(Scheduled for completion 12 months after initiation of development)	145,000.00
Legal, audit and printing expenses	15,000.00
Working capital	138,500.00
	<u>\$443,000.00</u>

The research and development of the mobile RABCO Shredder-Compactor will commence upon the completion of the sale of the offering hereunder.

If all of the shares offered hereunder are not sold, the proceeds derived from any sales will be used to pay the costs of this offering, to repay the loans referred to above, to provide working capital for the continued marketing of the Company's stationary RABCO Machine and to undertake such international patent application work as may be required to protect the Company's interest in the RABCO Machine.

INTEREST OF MANAGEMENT

Reference is made to the sections headed "BUSINESS" and "PROMOTERS" relating to the sale to the Company by Russell Richard Benson, for the sum of \$10,000.00 cash, of all of his interest in the patents and patent applications to the RABCO Machine.

Lewis Allen Lewis, a Director of the Company, is a Director and the President of Murray-Latta Machine Co. Ltd. which said company manufactures, on a competitive basis, certain heavy metal component parts for the Company's RABCO Machine.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice;
- (b) A purchaser has the right to rescind a contract for the purchase of a security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

PENDING LEGAL PROCEEDINGS

On January 11th, 1972, an action was commenced in the Supreme Court of British Columbia against the Company by Bohdan Pidlisecky for unstated damages for wrongful dismissal. Mr. Pidlisecky was formerly employed by the Company as a salesman. The Company is defending the action on the basis that the Plaintiff was dismissed for cause.

The Company received a letter dated April 13th, 1972 from the Solicitors for North American Engineering Ltd. demanding the return of a \$10,000.00 option fee forfeited to the Company by reason of the failure of the said North American Engineering Ltd. to execute certain agreements to purchase the outstanding shares of the Company within the time permitted. To date, no further action has been taken and, in the event that an action is commenced against the Company, the Company intends to defend such action.

On May 2nd, 1972, the Company received a letter from the Solicitors for Atlas Hoist & Body Inc. of Montreal, Quebec, demanding payment of a trade account in the amount of \$1,592.60. The Company is disputing this account on the basis that the services were unauthorized and, if an action is commenced, the Company intends to defend it on the basis aforesaid.

REGISTRAR AND TRANSFER AGENT

Crown Trust Company, at its principal office in Vancouver, British Columbia, is the Transfer Agent and Registrar of the Common shares of the Company.

AUDITORS

The Auditor of the Company is R.H.N. Whiting, Chartered Accountant, of Suite 1009, 1177 West Hastings Street, Vancouver, British Columbia.

MATERIAL CONTRACTS

Particulars regarding every material contract entered into by the Company, other than in the ordinary course of business are as follows:

1. Loan Agreement dated July 7th, 1969 between Her Majesty The Queen, acting through the Minister of Industry, and the Company. (PAIT).
2. Share Option Agreements dated January 4th, 1971 between the Company, and Russell Richard Benson and Elizabeth May Benson, as amended.
3. Share Option Agreements dated January 4th, 1971 between the Company, and two employees, Leslie Charlton and Nicholas J. Fletcher.
4. Repayment Agreement dated March 8th, 1971 between Her Majesty The Queen, acting through the Minister of Industry, and the Company. (PAIT).
5. Assignment dated October 19th, 1971 between Russell Richard Benson and the Company, of Letters Patent covering the RABCO Machine.
6. Agreement dated January 27th, 1972 between the Company, Ingram & Bell Limited and R.R. Benson.
7. Agreement dated January 28th, 1972 between R.A. Benson Co. Ltd., as Trade Mark Owner, and the Company, as proposed Registered User.
8. Letter of intent dated July 26th, 1972 between the Company and Lamson Engineering Australia Pty. Limited.
9. Share Option Agreements dated August 30th, 1972 between the Company, and the Directors, Senior Officers and certain past Directors, as amended.
10. Share Option Agreements dated August 30th, 1972 between the Company and certain employees.
11. Agreement dated October 12th, 1972 between the Company and Professional Marketing Services Ltd. to purchase, at 10¢ each, Share Purchase Warrants, as amended.
12. Distribution Agreement dated October 31st, 1972 between the Company and Avila Trading Company C.A.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 and the Regulations thereunder.

DATED this 22nd day of November, 1972.

"R.R. BENSON"
RUSSELL RICHARD BENSON, Director/Promoter.

"L.A. LEWIS"
LEWIS ALLEN LEWIS, Director.

"ROGER J. LATTA"
ROGER JOHN LATTA, Director.

"JOHN McLOUGHLIN"
JOHN ARTHUR McLOUGHLIN, Director.

"J.E. DUFFIELD"
JOHN EDWARD DUFFIELD, Director.

"JAMES S. McRAE"
JAMES STEWART McRAE, Director.

"R.B. LEESON"
ROBERT BLIGH LEESON, Director.

R.H.N. WHITING
Chartered Accountant

1408 Board of Trade Building
1177 West Hastings Street
Vancouver 1, B.C.

October 19, 1972.

To the Directors of
Benson Industries Ltd.,
North Vancouver, British Columbia.

I have examined the balance sheet of Benson Industries Ltd. as at July 31, 1972, and the deficit, profit and loss, manufacturing, research and development and source and application of funds statements for the two months then ended. My examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances. The accounts for May 31, 1972, and prior, were examined by other Chartered Accountants and are included in the attached statements on the basis of their reports.

Subject to the above, in my opinion these financial statements and the notes thereto present fairly the financial position of the company as at July 31, 1972, and the results of its operations and the source and application of its funds for the three years and two months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous years.

"R.H.N. WHITING"
Chartered Accountant.

BENSON INDUSTRIES LTD.

BALANCE SHEET

as at July 31, 1972

ASSETS

CURRENT

Cash	\$ 15,266.65
Accounts receivable — Trade — Note 7	23,437.06
Inventory — Units and Parts — at average cost	20,527.00
Advance to Employee	50.00

\$ 59,280.71

EQUIPMENT AND FURNITURE — at cost:

Shop Equipment and Alterations	4,855.22
Automotive Equipment	2,958.63
Office Furniture	1,686.50

9,500.35

RESEARCH AND DEVELOPMENT - per Exhibit "E"

79,653.41

OTHER ASSETS — at cost:

Patents and Trade-marks	22,596.19
Recapitalization costs	1,578.50

24,174.69

\$172,609.16

LIABILITIES

CURRENT

Accounts payable — Trade	\$ 15,848.12
— R.A. Benson Company Ltd.	10,497.83
Interest and Principal Accrued on Department of Industry Loan	15,056.63
Directors — Advances	\$ 4,062.35
— Accrued Salaries	13,384.44

17,446.79

\$ 58,849.37

TERM

Loan Payable — Department of Industry — Note 1
--

15,558.00

SHAREHOLDERS' EQUITY

CAPITAL — Note 2

Authorized —

2,000,000 common shares of no par value

Issued —

523,101 common shares of no par value 186,177.50

Deduct: DEFICIT — per Exhibit "B" 87,975.71

98,201.79

\$172,609.16

The Attached Notes are an Integral Part of the Balance Sheet

APPROVED ON BEHALF OF THE BOARD

"R.R. BENSON"

Director

"J.E. DUFFIELD"

Director

Submitted as part of my report dated October 19,
1972.

"R.H.N. WHITING"

Chartered Accountant.

BENSON INDUSTRIES LTD.

NOTES TO THE FINANCIAL STATEMENTS
as at July 31, 1972

NOTE 1:

LOAN PAYABLE — FEDERAL DEPARTMENT OF INDUSTRY — CURRENT \$15,056.53, DEFERRED \$15,558.00 — This loan was advanced to the company under the program for advancement of industrial technology. It is to be repaid with interest at 5% compounded annually, payments on principal to be calculated at 5% of the net selling price of the equipment by the company and its licensees. If the project is not a commercial success the debt will be forgiven but title to the results of the program may be taken by the Federal Department of Industry.

NOTE 2:

SHARE CAPITAL — During the period, one common share was issued for \$2.00. An officer and employees hold options for 8,000 common shares at \$.50 per share, 9,000 common shares at \$1.00 per share and 11,500 common shares at \$2.20 per share. Members holding 301,000 common shares purchased in September, 1969, for \$.05 per share have contributed on September 14, 1972, an additional \$.05 per share, thus increasing the working capital at that date by \$15,050.00.

NOTE 3:

Depreciation on equipment and furniture has not been provided for in the accounts.

NOTE 4:

CONTINGENT LIABILITIES — The company has received a writ for unstated damages from a former employee who alleges wrongful dismissal. A letter has been received from solicitors acting on behalf of North American Engineering Ltd. dated April 13, 1972, requesting the return of a \$10,000.00 option fee forfeited for non-performance. To date, the company has received no further communications on the matter.

NOTE 5:

DIRECTOR'S REMUNERATION — A director and officer has received a salary for the two month period of \$2,500.00. No other remuneration has been made to directors.

NOTE 6:

On July 26, 1972, the company signed a letter of intent with Lamson Engineering Australia Pty. Limited of Bankstown, New South Wales, granting exclusive manufacturing and selling rights to the Rabco Machine for Australia, New Zealand and dependant territories and non-exclusive manufacturing and selling rights for Singapore, Malaysia, Indonesia, Hong Kong and other general South-East Asian countries as may be agreed. A formal agreement is expected to be executed shortly. The proposed term of the agreement is for a period of ten years and covers all future development of the Rabco Machine. The company is to receive \$3,000.00 Australian on the signing of the agreement and a further \$1,500.00 Australian in each of the two following years. In addition a 6% royalty is to be received on the gross selling price of each Rabco Machine and accessories, with the exception of the electronic control panel.

NOTE 7:

A general assignment of the company's accounts receivable has been made to the Royal Bank of Canada. At this date there is no bank loan.

NOTE 8:

At the date of the balance sheet the company intends to apply to the B.C. Securities Commission for permission for the issue of an additional 200,000 common shares of no par value at \$2.50 each and with a bonus to investors of one warrant to each two shares purchased. The underwriting costs have been estimated to amount to approximately \$.30 per share.

NOTE 9:

On August 30, 1972, the directors, senior officers and certain past directors were granted options, additional to those mentioned in Note 2, exercisable on or before January 4, 1975, to purchase a total of 18,500 common shares of the company at \$2.20 each. Other key employees have been given options to purchase a total of 15,000 common shares of the company at \$1.50 each, provided that they are in the employ of the company at the time of exercising the option which expires January 4, 1975. Professional Marketing Services Ltd. have been given an option to purchase 30,000 share purchase warrants at \$.10 each within ten days following acceptance and filing of the prospectus. The share purchase warrant entitles them to purchase one common share for each warrant issued at a price of \$3.50 each.

BENSON INDUSTRIES LTD.

DEFICIT STATEMENTS
for two years and two months ended July 31, 1972

	<u>2 Months</u> <u>July 31/72</u>	<u>Year</u> <u>May 31/72</u>	<u>Year</u> <u>May 31/71</u>
DEFICIT BALANCE — Opening	\$ 92,172.05	\$ 55,615.21	\$ Nil
PROFIT OR (LOSS) FOR THE PERIOD	<u>4,196.34</u>	<u>(36,556.84)</u>	<u>(55,615.21)</u>
DEFICIT BALANCE — Closing	<u><u>\$ 87,975.71</u></u>	<u><u>\$ 92,172.05</u></u>	<u><u>\$ 55,615.21</u></u>

BENSON INDUSTRIES LTD.

STATEMENT OF EARNINGS

for two years and two months ended July 31, 1972

	2 Months July 31/72	Year May 31/72	Year May 31/71
SALES — New Units and Parts	\$ 37,792.95	\$166,624.73	\$ 73,379.75
— Unit Rentals		1,386.00	2,038.05
— Installation and other	3,444.95	1,144.85	915.86
	41,237.90	169,155.58	78,333.66
DEDUCT: Sales Taxes	190.86	15,821.42	9,863.12
NET SALES	41,047.04	153,334.16	66,470.54
DEDUCT: COST OF GOODS SOLD	26,749.55	125,662.93	48,011.40
GROSS PROFIT	14,297.49	27,671.23	18,459.14
SELLING AND PROMOTIONAL EXPENSE:			
Salaries and Benefits, Modification and Service	231.37	2,702.28	3,455.61
Modification materials		1,091.59	
Salaries and Benefits — Promotional	1,640.21	15,944.25	19,027.15
Commissions		700.00	1,000.00
Advertising and Promotion	693.74	5,487.09	6,553.54
Dues and Subscriptions	1.35	724.01	446.78
Travel	371.55	8,178.03	8,519.36
	2,938.22	34,827.25	39,002.44
GENERAL AND ADMINISTRATIVE EXPENSE:			
Salaries	2,825.20	14,400.00	14,400.00
Office Services	800.00	6,000.00	3,840.00
Printing, Postage and Stationery	310.66	1,902.95	1,292.40
Legal	819.85	2,863.52	3,284.48
Life Insurance	134.42	407.58	814.75
Accounting and Audit	600.00	2,600.00	1,437.50
Automobile Expenses	570.39	4,224.87	3,321.93
Office Sundries	286.43	929.84	2,638.74
Rent, Light and Telephone	543.96	5,070.50	3,845.93
Interest Expense (net)	245.34	2,028.10	196.18
Royalties	26.68		
	7,162.93	40,427.36	35,071.91
	10,101.15	75,254.61	74,074.35
PROFIT (LOSS) ON OPERATIONS	4,196.34	(47,583.38)	(55,615.21)
DEDUCT: Royalties (Net)		1,026.54	
Option Fee		10,000.00	
		11,026.54	
PROFIT (LOSS)	\$ 4,196.34	\$ (36,556.84)	\$ (55,615.21)

NOTE: Sales commenced in the 1971 fiscal year.

BENSON INDUSTRIES LTD.

MANUFACTURING STATEMENTS
for two years and two months ended July 31, 1972

	<u>2 Months</u> <u>July 31/72</u>	<u>Year</u> <u>May 31/72</u>	<u>Year</u> <u>May 31/71</u>
OPENING INVENTORY	\$ 13,417.50	\$ 36,000.00	\$
DIRECT EXPENSES:			
Materials and Supplies	30,467.01	85,399.36	70,157.44
Salaries and Benefits	3,203.78	16,400.96	11,537.81
	<u>33,670.79</u>	<u>101,800.32</u>	<u>81,695.25</u>
INDIRECT EXPENSES:			
Consultants and Sub-contracts		363.70	956.50
Rent and Power and Telephone	188.26	642.50	518.30
Equipment Rentals			399.48
Insurance		273.91	441.87
	<u>188.26</u>	<u>1,280.11</u>	<u>2,316.45</u>
	47,276.55	139,080.43	84,011.40
DEDUCT: CLOSING INVENTORY	<u>20,527.00</u>	<u>13,417.50</u>	<u>36,000.00</u>
COST OF GOODS SOLD	<u>\$ 26,749.55</u>	<u>\$125,662.93</u>	<u>\$ 48,011.40</u>

NOTE: Manufacturing commenced in 1971 fiscal year.

RESEARCH AND DEVELOPMENT STATEMENTS
for three years and two months ended July 31, 1972

	<u>2 Months</u> <u>July 31/72</u>	<u>Year</u> <u>May 31/72</u>	<u>Year</u> <u>May 31/71</u>	<u>Year</u> <u>May 31/70</u>
DIRECT EXPENSES:				
Design and Preliminary Development cost	\$	\$	\$	\$ 16,256.57
Materials	120.26	1,965.89	6,346.66	19,822.52
Salaries, wages and employee benefits	650.03	12,566.84	28,565.51	36,642.19
Equipment rentals				123.41
Insurance				430.50
Consultants				1,957.31
Sundry				592.19
	<u>770.29</u>	<u>14,532.73</u>	<u>34,912.17</u>	<u>75,824.69</u>
GENERAL AND ADMINISTRATIVE EXPENSES:				
Rent, light and telephone	564.78	1,927.87	1,554.99	1,874.91
Travel, automobile and promotion expense				6,143.04
Market research				3,294.14
Printing, postage and stationery				741.60
Interest and exchange				47.10
Accounting				775.00
Life Insurance				579.66
Legal and audit				2,554.60
Personnel Procurement fee				1,200.00
Office general expense				1,439.04
	<u>564.78</u>	<u>1,927.87</u>	<u>1,554.99</u>	<u>18,649.09</u>
	1,335.07	16,460.60	36,467.16	94,473.78
Less: Interest Earned				1,582.20
I.R.D.I.A. subsidy			7,501.00	
Sale of manufacturing and marketing rights		60,000.00		
		<u>60,000.00</u>		
RESEARCH AND DEVELOPMENT FOR THE PERIOD	<u>1,335.07</u>	<u>(43,539.40)</u>	<u>28,966.16</u>	<u>92,891.58</u>
ACCUMULATED TOTAL RESEARCH AND DEVELOPMENT	<u>\$ 79,653.41</u>	<u>\$ 78,318.34</u>	<u>\$121,857.74</u>	<u>\$ 92,891.58</u>

SOURCE AND APPLICATION OF FUNDS STATEMENTS

for three years and two months ended July 31, 1972

	2 Months <u>July 31/72</u>	Year <u>May 31/72</u>	Year <u>May 31/71</u>	Year <u>May 31/70</u>
WORKING CAPITAL BALANCE	\$ 27,582.45	\$ 22,302.08	\$ 77,254.24	\$ Nil
ADD: SOURCE OF FUNDS:				
Net Profit for period	4,196.34			
Sale of common shares	2.00	7,273.00	36,100.00	142,800.50
Directors' advances and accrued salaries		1,389.32	5,363.15	11,111.97
I.R.D.I.A. subsidy			7,501.00	
Sale of production and marketing rights		60,000.00		
Disposal of automobile	1,513.00			
Program for the advancement of technology loan				28,600.00
Interest earned				1,582.20
	<u>5,711.34</u>	<u>68,662.32</u>	<u>48,964.15</u>	<u>184,094.67</u>
DEDUCT: APPLICATION OF FUNDS:				
Loss on operations		36,556.84	55,615.21	
Purchase of — office equipment		262.50	1,424.00	
— shop tools	340.94	1,189.83	2,720.71	603.74
— shop van			2,958.63	
— patents	282.00	7,399.18		10,534.55
— automobile		1,513.00		
Recapitalization costs			800.00	778.50
Research and development	1,355.07	16,460.60	36,467.16	94,473.78
Trade-marks			3,930.60	449.86
Reduction in directors' advances and accrued salaries	17,862.44			
Reduction in Department of Industry loan	13,042.00			
	<u>32,862.45</u>	<u>63,381.95</u>	<u>103,916.31</u>	<u>106,840.43</u>
WORKING CAPITAL INCREASE (DECREASE)	<u>(27,151.11)</u>	<u>5,280.37</u>	<u>(54,952.16)</u>	<u>77,254.24</u>
WORKING CAPITAL BALANCE	<u>\$ 431.34</u>	<u>\$ 27,582.45</u>	<u>\$ 22,302.08</u>	<u>\$ 77,254.24</u>